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Western Area Power Administration

Colorado River Storage Project, Order Confirming, Approving, and Placing Increased Power Rates in Effect on an Interim Basis

DEPARTMENT OF ENERGY

Western Area Power Administration

Colorado River Storage Project; an Order Confirming, Approving, and Placing Increased Power Rates in Effect on an Interim Basis

AGENCY: Western Area Power Administration, Department of Energy.

ACTION: Notice of a rate order—Colorado River storage project.

SUMMARY: Notice is given of Rate Order No. WAPA–4 of the Assistant Secreary for Resource Applications placing increased power rates into effect on an interim basis for Colorado River Storage Project (CRSP) power marketed by the Western Area Power Administration (Western).

The rate adjustment would increase average annual revenues about $8.3 million to meet cost recovery criteria.

The proposed wholesale firm-power rate consists of a capacity charge of $1.655 per kW-month and an energy charge of 4.0 mills per kWh. At 58.2-percent load factor, the composite rate is 7.89 mills per kWh, a 20.5-percent increase over the existing rate.

This rate order also contains statement and discussions of the principal factors leading to the decisions on the rate increase, and responses to the comments, criticisms, and alternatives offered during the rate increase proceedings.

EFFECTIVE DATE: The rate adjustments and new rates would be effective the first day of the first full billing period beginning on or after January 23, 1981.

FOR FURTHER INFORMATION CONTACT:

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Marlene A. Moody, Office of Power Marketing Coordination, Department of Energy, Mail Station 3344, Federal Building, 12th and Pennsylvania Avenue, NW., Washington, DC 20461, (202) 633–8338.

SUPPLEMENTARY INFORMATION: By Delegation Order No. 0204–33, effective January 1, 1979 (43 FR 60636, December 28, 1978), the Secretary of Energy delegated to the Assistant Secretary for Resource Applications the authority to develop power and transmission rates, acting by and through the Administrator, and to confirm, approve, and place in effect such rates on an interim basis.

Rate adjustments on the CRSP are being conducted consistent with procedural rules applicable to Western. Final procedures for public participation in general adjustments were published in the **Federal Register** on March 23, 1978 (43 FR 12076), April 5, 1978 (43 FR 14359), and February 7, 1979 (44 FR 7796).

Proceedings on the proposed rate were initiated in April 1979, with an announcement published in the **Federal Register** at 44 FR 19533 (April 3, 1979) stating that a 38-percent power rate increase for the CRSP was proposed beginning with an estimated date of January 1, 1980. This announcement was subsequently amended by **Federal Register** notices 44 FR 24154 (April 24, 1979) and 44 FR 30759 (May 29, 1979) to add references to Public Utility Regulatory Policies Act standards and written comments.

After consideration of comments received, Western prepared a new power repayment study in August 1979 incorporating reductions in some estimated future costs and delays in some other estimated future costs, and correcting the misinterpretation of one of the provisions of Pub. L. 84–485. After proper notification to customers and to others by letter, press releases, and by an August 24, 1979, **Federal Register** notice (44 FR 49785), a public information forum was held on September 5, 1979, at which a revised proposed power rate increase of 23.8 percent was announced, in lieu of the 38-percent increase announced on April 3, 1979.

Subsequent to the September 5, 1979, forum, Western discovered that the price levels for all CRSP participating projects were at the January 1976 price level except for the Animas-La Plata, San Miguel, and West Divide Projects which were at the October 1967 price level. The costs of the three aforementioned projects were indexed to the January 1976 price level and the fiscal year 1977 CRSP power repayment study was revised to include the revised costs. This revision resulted in a rate increase of 25.8 percent (2 percent higher than the 23.8 percent advocated in the September 5, 1979, forum). The customers were given proper notification of the aforementioned revision by letter and by a February 15, 1980, **Federal Register** notice (45 FR 10399), and comments were received until March 17, 1980.

Customer comments were again considered in preparing the proposed rate order which was issued on August 1, 1980, by the Assistant Secretary for Resource Applications and published in the **Federal Register** (45 FR 52900) on August 8, 1980. There was a request by a customer to make an oral presentation before the Assistant Secretary, and a public comment forum was scheduled to be held on September 11, 1980, in Salt Lake City, Utah, and was announced in the **Federal Register** on August 21, 1980 (45 FR 55808). A notice of an extension until September 19, 1980, of the time that written comments could be submitted (extended from the September 8 date initially given) was published in the **Federal Register** on September 3, 1980 (45 FR 58407). The forum was held as scheduled.

Comments received have been considered during preparation of the November 1980 revision of the power repayment study and of this rate order.

Therefore, Rate Order No. WAPA–4 confirming and approving increased power rates on an interim basis is hereby issued, and the rates will be promptly submitted to the Federal Energy Regulatory Commission for confirmation and approval on a final basis.

Issued in Washington, D.C., December 23, 1980.

Ruth M. Davis,

Assistant Secretary for Resource Applications.

United States of America, Department of Energy, Assistant Secretary for Resource Applications

In the Matter of: Western Area Power Administration—Colorado River Storage Project Power Rates, Rate Order No. WAPA–4; Order Confirming, Approving, and Placing Increased Power Rates in Effect on an Interim Basis

December 23, 1980.

Pursuant to section 302(a) of the Department of Energy (DOE) Organization Act, 42 U.S.C. 7152(a), the power marketing functions of the Secretary of the Interior under the Reclamation Act of 1902, 43 U.S.C. 372 *et seq.*, as amended and supplemented by subsequent enactments, particularly by section 9(c) of the Reclamation Act of 1939, 43 U.S.C. 485h(c), and acts specifically applicable to the Colorado River Storage Project (CRSP), for the Water and Power Resources Service (Service) (formerly the Bureau of Reclamation), were transferred to and vested in the Secretary of Energy. By Delegation Order No. 0204–33, effective January 1, 1979, 43 FR 60636 (December 28, 1978), the Secretary of Energy delegated to the Assistant Secretary for Resource Applications the authority to develop power and transmission rates, acting by and through the Administrator,

and to confirm, approve, and place in effect such rates on an interim basis, and delegated to the Federal Energy Regulatory Commission (FERC) the authority to confirm and approve on a final basis or to disapprove rates developed by the Assistant Secretary under the delegation. This rate order is issued pursuant to the delegation to the Assistant Secretary and the rate adjustment procedures at 43 FR 12076 (March 23, 1978), as amended by 44 FR 77967 (February 7, 1979). The major topics included in the rate order are listed below.

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Order

Background

Existing Rates

The increased rates which are the subject of this order supersede the following existing CRSP rates:

	Effective date	Existing rate	Increased rate
Existing rate schedule UC–F2 for wholesale firm power	June 1, 1977		
Demand charge, $/kW-month		$1.34	$1.655
Energy charge, mills/kWh		3.4	4.0
Composite rate at 58.2-percent load factor in mills/kWh		6.55	7.89
Existing rate schedule UC–FP2 for peaking power	June 1, 1977		
Peaking capacity without energy in $/kW-month		1.34	1.655

This order does not change the rates for the sale of nonfirm power or for wheeling power over the CRSP transmission system.

Public Notice and Comments

Pub. L. 84–485 authorized the CRSP, including participating projects. This legislation requires that an annual report be made to Congress to show the status of the project including "* * * the progress of return and repayment thereon, and the estimated rate of progress, year by year, in accomplishing full repayment * * *." To comply with this legislation, a power repayment study is made annually and its results are included in the annual report to Congress.

The FY 1977 power repayment study which was made for the 21st Annual Report showed that the existing power rate would be sufficient to pay annual expenses, but would not repay the power investment cost and the assistance needed to accomplish repayment of the irrigation features within the allowable time frames. A power rate increase of 43 percent (at 58.2-percent load factor) was found to be necessary to provide the required revenue. The result of this power repayment study was announced at a customer meeting on March 5, 1978.

An updated power repayment study was completed in August 1978. This study included some adjustments (primarily wheeling costs) to the 21st Annual Report study and indicated that a 2.49 mill/kWh (38-percent) rate increase (at 58.2-percent load factor) would be necessary to provide the required revenue.

At the request of the Colorado River Energy Distributors Association (CREDA), meetings were held with CREDA representatives on December 19, 1978, January 19, 1979, and March 30, 1979. CREDA represents the majority of CRSP customers; however, all CRSP customers were formally invited to the CREDA metings. At the first meeting, copies of a draft of the proposed power rate brochure were distribued to those present. At the three meetings, questions were asked by CREDA representatives and written answers were distributed at the meetings or mailed subsequently.

Federal Register notice 44 FR 19533 (April 3, 1979) announced the proposed CRSP rate adjustment and the public information and comment forums for public participation. This notice was subsequently amended by **Federal Register** notices 44 FR 24154 (April 24, 1979) and 44 FR 30759 (May 29, 1979) to add references to the PURPA standards and references to written comments. A press release was issued on April 3, 1979, to announce the proposed rate adjustment and the forums. On April 5, 1979, letters were sent to customers and other interested parties to announce the proposed rate adjustment and the forums and to transmit copies of the CRSP brochure dated April 1979, entitled "Proposed Power Rate Adjustment." Public information forums were held on the proposed rate increase in Phoenix, Arizona; Salt Lake City, Utah; and Denver, Colorado, on April 24,

25, and 26, 1979, respectively. At those forums numerous customers and other interested persons were in attendance. Procedures were reviewed, a summary of the brochure was presented, and all questions asked were answered at the forums or in writing before June 1, 1979.

In accordance with notices previously given, as referred to above, and reminder notices given by May 10, 1979, letters to customers and the June 6, 1979, press release, a public comment forum was held in Salt Lake City, Utah, on June 26, 1979, with customers and other interested persons in attendance. Written comments were received until the close of the comment period on July 11, 1979.

Several of the customers' comments seemed to merit further consideration, and a revised repayment study was made in August 1979. By means of an August 22, 1979, letter to all customers, an August 24, 1979, **Federal Register** notice (44 FR 49785), and a press release dated August 24, 1979, announcement was made of another public forum to be held in Salt Lake City, Utah, on September 5, 1979. At this forum a revised proposed rate increase (1.56 mills/kWh or 23.8 percent) was announced and copies of the August 1979 revised repayment study, the overhead projections used at the forum, and a September 5, 1979, brochure entitled "Revised Proposed Power Rate Adjustment" were distributed. Further comments were received through October 5, 1979.

Subsequent to the September 5, 1979, public forum, the Western Area Power Administration (Western) discovered that, contrary to a statement in the April 1979 rate brochure, the investment costs for all except three participating projects were at the January 1976 level and the costs of the three (Animas-La Plata, San Miguel, and West Divide Projects) were at the October 1967 price level. A second revision of the repayment study, with the three projects' costs indexed to the January 1976 level was made in February 1980. This study showed a need for a 1.69 mill/kWh, or 25.8-percent, rate increase, 2 percent higher than the previously revised proposed rate. A brief report showing the details of the study was sent to all customers by letter on February 12, 1980, (February 15, 1980, for CRSP customers in the Boulder City area) and the second proposed revision was published in the February 15, 1980, **Federal Register** (45 FR 10399) and was announced in a press release dated February 15, 1980. Customers were given an opportunity to comment until March 17, 1980.

Customer comments were again considered in preparing the proposed rate order which was issued on August 1, 1980, by the Assistant Secretary for Resource Applications and published in the **Federal Register** (45 FR 52900) on August 8, 1980. There was a request by a customer to make an oral presentation before the Assistant Secretary.

Therefore, a public comment forum was scheduled to be held on September 1, 1980, in Salt Lake City, Utah, and was announced in the **Federal Register** on August 21, 1980, (45 FR 55808). A notice of an extension until September 19, 1980, of the time that written comments could be submitted (extended from the September 8 date initially given) was published in the **Federal Register** on September 3, 1980, (45 FR 58407). The forum was held as scheduled. Comments received have been considered during preparation of the November 1980 revision of the power repayment study and of this rate order.

Project History

On April 11, 1956, the CRSP and participating projects were authorized by Pub. L. 84–485. By means of the four storage units authorized, the flow of the Colorado River is regulated in such a way that irrigation, municipal, industrial, and other water use developments in the Upper Colorado River Basin can be made while still maintaining water flows into the lower basin as required by the Colorado River Compact. Facilities have also been provided at the storage units for flood control, for recreation, and for other beneficial purposes. In order to maximize the use of water and to obtain revenues to assist in the repayment of the irrigation developments, power generating plants have been installed at three of the four storage units. A power generating plant has been installed on one of the participating projects and generating plants will be included on other participating projects where such developments are found to be feasible.

The table below lists the existing powerplants, with their installed capacity and dates of initial service.

CRSP	Installed capacity MW	Inservice date
Glen Canyon	950	Sept. 1964
Flaming Gorge Powerplant	108	Nov. 1963
Curecanti Unit—Blue Mesa Powerplant	60	Sept. 1967
Curecanti Unit—Morrow Point Powerplant	120	Dec. 1970
Curecanti Unit—Crystal Powerplant	28	Aug. 1978
Subtotal	1,266	
Participating Projects:		
Seedskadee Project—Fontenelle Powerplant	10	May 1968
Grand Total	1,276	

Transmission facilities include a high-voltage transmission grid to deliver power to the established delivery points in the market area, to provide interconnections among the plants of the CRSP units and participating projects, and to interconnect with other existing Federal and utility systems withing the market area.

Discussion

Power Repayment Studies

General

The power repayment studies for the CRSP are prepared by Western with the cooperaton of the Service. Basic river basin hydrology, water depletions, power generation, and project development data are among the many items the Service contributes to the studies.

The power repayment studies are prepared in accordance with CRSP authorizing legislation and with DOE Order No. RA 6120.2 on Power Marketing Administration financial reporting, which basically adopted policy criteria originally established in the Department of the Interior's Manual, parts 730.3 and 730.4. The studies array historic income, expense, and investment to be repaid from power revenues, along with estimates for future years, and portray the annual repayument of power production and transmission costs of a power system, as well as nonpower costs assigned to power for repayment, through the application of revenues over the repayment period of the project. The studies show, among other items, estimated revenues and expenses year by year over the remainder of a project's repayment period, the estimated amount of Federal investment amortized during each year, and the total estimated amount of Federal investment remaining to be amortized. The studies do not deal with rate design.

The power repayment studies are also prepared in accordance with the Reclamation Project Act of 1939. As part of its marketing policy, Western stirves to transmit and dispose of CRSP power and energy in such a manner as to encourage the most widespread use thereof at the lowest possible rates consistent with sound business principles. With the rate increase which is the subject of this Order, the power

will be sold at the lowest possible rates in accordance with statutory mandate. Without the increase, the statutory requirements will not be met. Insofar as possible, the increase is in keeping with both sound business principles and statutory requirements.

The August 1978 Study

A repayment study made in August 1978 for fiscal year 1977 showed that the existing power rate is insufficient to pay within allowable time frames the costs assigned to the power function, mainly because of rapidly escalating construction and operating expenses. The study showed that in the time period between January 1974—the price level date for the present rate—and January 1977, the total costs to be paid by power increased by about $1,228 million. The August 1978 repayment study indicated that a power rate increase of about 38 percent (total cost of 9.04 mills/kWh and 58.2-percent load factor) would be needed to accomplish the repayment required by the project authorizing act.

The August 1979 Changes From August 1978 Study

The August 1978 power repayment study which resulted in the recommendation for a 2.49 mill/kWh (38 percent) rate increase was used in the April 1979 rate adjustment brochure entitled "Proposed Power Rate Adjustment." An analysis of customer comments and recommendations on this brochure resulted in Western adopting some of their recommendations. These changes are reflected in the August 1979 repayment study and are described in the September 5, 1979, brochure. The following is a discussion of the changes from the study in the April 1979 brochure:

Future Wheeling Expense

The repayment study in the April 1979 brochure included the estimated excalation of wheeling rates in future years. At the suggestion of the customers, Western reconsidered the matter and decided that the wheeling rates should not have been escalated. Elimination of the excalation reduced the future average annual wheeling cost for the 1978–2052 period from $4,347,000 to $3,071,000 and reduced the proposed power rate adjustment by 3.5 percent.

Application of Central Utah Project (CUP) and Seedskadee Power Revenues

The repayment study in the April 1979 brochure was based on deferring the application of CUP (Utah) and Seedskadee (Wyoming) power revenues to the repayment of the irrigation costs of participating projects in Utah and Wyoming until 50 years after the CUP and Seedskadee power inservice dates. The customers recommended that CUP and Seedskadee power revenues be applied to repayment of irrigation costs of Utah and Wyoming participating projects, respectively, as soon as the CUP and Seedskadee power costs are repaid. In comparing the early repayment studies with current studies, it was discovered that an unexplained change was made in 1973 and continued in subsequent years so that studies prepared from 1973 through 1976 have not been in compliance with the law on this point. Section 5(e) of P.L. 84–485 states that power revenues from a participating project should be applied to repayment of projects within the State and not be used to meet the requirements of participating projects in other States. Due to the express language in P.L. 84–485, Western adjusted the August 1979 repayment study to the original method, which retains CUP and Seedskadee power revenues to the credit of the States where the two projects are located. This reversion to the pre-1973 method of handling revenues from the participating projects reduced the proposed power rate adjustment by 7.3 percent.

Unidentified Future Transmission Investments

The repayment study in the April 1979 brochure included an estimated unidentified future transmission investment of about $71 million in the 1981–1984 period. The customers recommended that the $71 million be deleted. P.L. 84–485 authorized specific storage units, specific participating projects, and transmission facilities related to the foregoing, but did not specify any particular transmission facilities. In the 1958 repayment study and in all repayment studies since then, amounts have been included for unidentified transmission facilities. It was concluded that the historic policy, which was being followed by Western in the rate adjustment proposal, was a reasonable implementation of the law.

Western restudied the matter and decided that the $71 million of unidentified transmission facilities should be deferred from the 1981–1984 period to the 1990–2020 period, with approximately one-seventh of the cost being placed in service every 5 years. The effect of this change was to reduce the proposed power rate adjustment by about 3.4 percent.

Summary of August 1979 Changes

A summary of the changes made in the August 1979 study as compared to the August 1978 study is tabulated below:

Item	Decrease in proposed rate adjustment (pct)
Eliminate escalation of future wheeling expense	3.5
Apply CUP and Seedskadee power revenues to Utah and Wyoming as in repayment studies prior to 1973	7.3
Defer unidentified future transmission investments from 1981–1984 period until 1990–2020 period	3.4
Total decrease	14.2

The result of the above was to increase the existing rate by 1.56 mills/kWh (23.8 percent) instead of by the 2.49 mills/kWh (38 percent) stated in the April 1979 brochure.

February 1980 Changes From the August 1979 Study

Costs for the Animas-LaPlata, San Miguel, and West Divide Projects

Subsequent to the September 5, 1979, forum, Western discovered that, contrary to a statement in the April 1979 rate brochure indicating that all costs were at 1977 price levels, the investment costs of all except three of the participating projects were at 1976 price levels. The costs of the three projects (Animas-LaPlata, San Miguel, and West Divide) were at 1967 price levels.

The investment costs of these three projects were indexed to January 1976 price levels and another revised repayment study was run in February 1980. This second revision showed that an overall rate increase of 1.69 mills/kWh (from 6.55 mills/kWh to 8.24 mills/kWh) or 25.8 percent was needed, 2 percent higher than the previously revised proposed rate.

November 1980 Changes From February 1980 Study

Deletion of Unidentified Future Transmission Investments

During a September 11, 1980, public hearing concerning the then proposed rate order, commenters asserted that Department of Energy Order RA 6120.2, which was adapted from 730 DM 4 of the Department of the Interior Manual, limits the period of time during which future estimates of power system costs may be modified to reflect changing conditions, such as transmission additions, to a cost evaluation period which is normally 5 years. Deferring the unidentified transmission facilities to the 1990–2020 period placed them outside the normal cost evaluation period. Consideration was given to the

possibility of moving the unidentified transmission facilities back into the 1981–1984 period and, based on developments since the FY 1977 studies were initially prepared, identifying them. However, such use of later developments would open the studies to a multitude of other developments and prolong the rate adjustment efforts.

As analyzed in more detail in a later section of this rate order, Order No. RA 6120.2 allows for exceptions "specifically approved by the Secretary" or "authorized by statute." The inclusion of unidentified transmission during the 1990–2020 period was one of these exceptions. However, since it is the practice of the Secretary to market power at the lowest possible rates consistent with sound business practices, weight was given to the policy underlying the 5-year cost evaluation period in this instance. A decision was made to delete the unidentified transmission facilities. Transmission facilitieswill be identified in the next repayment study, however, and will be considered in the evaluation of project costs and revenues in the future. The effect of this deletion is to reduce the rate by 5.3 percent, to a 20.5 percent (1.34 mills/kWh) increase.

Repayment Issues

Other public comments were received which were critical of a number of assumptions made in the repayment study. The areas of comment are discussed below.

Inclusion of Future Projects in Repayment Study

The primary thrust of a number of the public comments relating to the repayment study revolved around whether or not all participating projects which have been authorized by Congress should be included in the repayment study. This concern has apparently emerged due to the amount of time which has elapsed between authorization and construction.

Several customers suggested that the proposed rate increase be based on a repayment study which excludes the costs of participating projects not yet in service or nearing completion, and that future or "stepped" rate increases be made as the projects reach or approach the inservice dates. It is clear, however, from the provisions of the Act, the legislative history of Pub. L. 84–485 which established CRSP, and from the first repayment study—which provides a contemporaneous interpretation and guide for repayment procedures—that it was the intent of Congress that current rates be based on the inclusion of all authorized participating projects in CRSP repayment studies. The Western Area Power Administration's Office of the General Counsel has issued a legal memorandum supportive of the present ratemaking methodology. The inclusion of all authorized participating projects is legislatively and administratively proper.

The appropriateness, within legal restraints, of including each of the participating projects has been considered. Only one authorized participating project has ever been deauthorized. The Pine River Extension was authorized by Congress on April 11, 1956, by Pub. L. 84–485, and was deauthorized by Congress on September 30, 1968, by Pub. L. 90–537. No costs have been included for the Pine River Extension.

The status of four other participating projects, although still authorized, is subject to question. The entire LaBarge Project and the irrigation development on the Seedskadee Project have both been declared by the Bureau of Reclamation to be indefinitely deferred and Congress has been so informed. Costs included for these two projects are limited to sunk costs based on their indefinitely deferred status. More recently, President Carter has recommended deauthorization of the Fruitland Mesa and Savery-Pot Hook Projects; however, no legislative action has been taken to deauthorize either of the projects and, although no funds have been expended on them since the President's recommendation, they have not been declared to be indefinitely deferred. Except for the delay, their status remains as it was before the President's recommendation, and their costs have accordingly been included. A more complete summary of the status of these four projects is given below.

LaBarge Project

The project was authorized by the Congress on April 11, 1956, by Pub. L. 84–485. On February 2, 1961, the Regional Director, U.S. Bureau of Reclamation, Salt Lake City, Utah, wrote the Commissioner of the Bureau of Reclamation recommending that construction not be undertaken. The Commissioner concurred by letter of February 27, 1961, in the recommendation ". . . that construction of the project not be undertaken at this time. . . ." In the CRSP 9th Annual Report to Congress for FY 1965, the Bureau of Reclamation stated that construction had been deferred indefinitely, as suggested in the Senate Subcommittee Appropriation Hearings for FY 1962, page 216. Tables of repayment data for the LaBarge Project follow the discussion of the Savery-Pot Hook Project.

Seedskadee Project

The project was authorized by Congress on April 11, 1956, by Pub. L. 84–485. Congressional hearings on the Riverton and Eden Projects in 1962 brought to light that serious financial and economic problems were encountered by farmers on these high-altitude irrigation projects. As a result of these hearings, the Commissioner of the Bureau of Reclamation issued a stop order on May 21, 1962, suspending construction of irrigation features of the Seedskadee Project until a review of Wyoming reclamation projects could be accomplished. The Secretary of the Interior on August 10, 1962, appointed the Wyoming Reclamation Projects Survey Team to analyze problems on Wyoming projects and recommend possible solutions. One of the recommendations made by the survey team was that a development farm be established on the Seedskadee Project. Data collected from the operation of the development farm resulted in the conclusion that only 34,000 acres of the original 58,000 acres were suitable for irrigation, that even the 34,000 acres would be marginally feasible, and that the developed project water supplies should be made available for municipal and industrial (M&I) and other purposes. As a result of the investigations, and because of the desire of the State of Wyoming to purchase Seedskadee water for M&I purposes, the United States sold the State all the storage space in the Fontenelle Reservoir excluding the last 65,000 acre-feet. The State was given the first right of refusal to the last 65,000 acre-feet upon notice of its availability for M&I purposes. All the foregoing is documented in the October 8, 1973, letter from the Assistant Secretary of the Interior to the President, with copies to the President of the Senate, to the Speaker of the House, and to the Chairman of the Senate and House Committees on Interior and Insular Affairs.

In December 1974, the Bureau of Reclamation in Salt Lake City, Utah, prepared a cost allocation report on the Seedskadee Project. After review by various offices of the Bureau of Reclamation and by the Wyoming reclamation representative, the report was submitted to the Commissioner of the Bureau of Reclamation for use in a report to the Congress as required by section 6 of P.L. 84–485. The report stated that "Irrigation development has been indefinitely deferred...." and established revised repayment schedules. Tables of repayment data for

the Seedskadee Project follow the discussion for the Savery-Pot Hook Project.

Fruitland Mesa Project

The project was authorized on September 2, 1964, by P.L. 88–568. The Definite Plan Report was approved October 9, 1967, and a repayment contract with Fruitland Mesa Water Conservancy District (District) was validated September 29, 1969. As a result of new water supply studies and changes in plan formulation, the Definite Plan Report and contract with the District were in the process of revision in early 1977. On April 18, 1977, the President recommended deauthorization of the project. No action has been taken to deauthorize the project and the project has not been declared to be indefinitely deferred, although no funds have been expended on the project since that time. Tables of repayment data for the Fruitland Mesa Project follow the discussion of the Savery-Pot Hoop Project.

Savery-Pot Hook Project

The project was authorized on September 2, 1964, by P.L. 88–568. The Definite Plan Report was approved December 2, 1971. As a result of changes in plan formulation, the Definite Plan Report was in the process of revisions in early 1977. Repayment contracts with the Pot Hook and Little Snake Water Conservancy Districts were also being negotiated in early 1977. On April 18, 1977, the President recommended deauthorization of the project. No action has been taken to deauthorize the project and the project has not been declared to be indefinitely deferred, although no funds have been expended on the project since that time. Tables of repayment data for the LaBarge, Seedskadee, Fruitland Mesa, and Savery-Pot Hook Projects follow.

Tables

LaBarge Project

1964 Data Before Deferment

Irrigation repaid by:	
Irrigators	250,000
Apportionment (power)	1,501,000
Others	0
Municipal and Industrial	0
Power	0
Nonreimbursable	65,000
Total	1,816,000

1965 Data After Deferment

Irrigation repaid by:	
Irrigators	0
Apportionment (power)	136,000
Others	0
Municipal and Industrial	0
Power	0
Nonreimbursable	86,000
Total	222,000

1977 Repayment Study

Irrigation repaid by:	
Irrigators	0
Apportionment (power)	136,000
Others	0
Municipal and Industrial	0
Power	0
Nonreimbursable	86,000
Total	222,000

Seedskadee Project

1964 Data Before Deferment

Irrigation repaid by:	
Irrigators	7,300,000
Apportionment (power)	39,672,000
Others	402,000
Municipal and Industrial	908,000
Power	3,574,000
Nonreimbursable	7,724,000
Total	59,580,000

1965 Data After Deferment

Irrigation repaid by:	
Irrigators	0
Apportionment (power)	1,428,000
Others	411,000
Municipal and Industrial	12,310,000
Power	3,574,000
Nonreimbursable	16,586,000
Total	34,309,000

1977 Repayment Study

Irrigation repaid by:	
Irrigators	0
Apportionment (power)	1,228,000
Others	411,000
Municipal and Industrial	12,310,000
Power	3,574,000
Nonreimbursable	16,984,000
Total	34,507,000

Fruitland Mesa Project

1977 Repayment Study

Irrigation repaid by:	
Irrigators	3,790,000
Power	80,256,000
Others	181,000
Municipal and Industrial	0
Power	0
Nonreimbursable	4,373,000
Total	88,600,000

1978 22nd Annual Report

Irrigation repaid by:	
Irrigators	3,790,000
Power	80,256,000
Others	181,000
Municipal and Industrial	0
Power	0
Nonreimbursable	4,163,000
Total	88,390,000

Savery-Pot Hook Project

1977 Repayment Study

Irrigation repaid by:	
Irrigators	5,086,000
Power	66,630,000
Others	869,000
Municipal and Industrial	0
Power	0
Nonreimbursable	2,315,000
Total	74,900,000

1978 22nd Annual Report

Irrigation repaid by:	
Irrigators	5,086,000
Power	66,630,000
Others	869,000
Municipal and Industrial	0
Power	0
Nonreimbursable	2,340,000
Total	74,925,000

The total cost of all the participating projects is nearly $2,553 million, and the amount to be repaid from power revenues is nearly $1,090 million.

Effect of Elimination of Projects Discussed Above

As discussed later in this order, section 5(e) of P.L. 84–485 requires the apportionment of certain revenues among the four Upper Colorado River Basin States of Colorado, New Mexico, Utah, and Wyoming. The requirements of projects in one of the four States will determine the total revenue needed for apportionment. For the studies on which this rate increase is based, the controlling State which determines the total revenue needed for apportionment is Colorado. Since some of the projects discussed above are in Colorado, their elimination would reduce the total revenue required. However, the elimination of projects in Colorado would result in Utah becoming the controlling State which determines the total revenue for apportionment, and would result in a reduction of only 2 percent in the amount of increase needed. For reasons already discussed, the projects have not been eliminated.

Cost Evaluation Period

A number of customers raised the issue of whether 730 DM 4 of the Department of the Interior Departmental Manual (now also Department of Energy Order No. RA 6120.2) should not limit the analysis of future irrigation costs associated with CRSP to a maximum of about 5 years. Order No. RA 6120.2 does not conflict with the current CRSP ratemaking methodology for a number of reasons. The order provides, in the first paragraph, for exceptions "specifically approved by the Secretary" or "authorized by statute." The CRSP Act sanctions the departure from the 5-year limitation, as does the longstanding interpretation of the administrative agencies charged with the sale of CRSP power. Even if the "authorized by statute" exception did nor exist, the execution of this rate order demonstrates, as a matter of administrative policy, the approval of the current CRSP ratemaking methodology. This policy decision is based upon the Reclamation policy of irrigation assistance, past administrative practice, and the comprehensive purpose of the CRSP as a whole. Furthermore, the provisions in Order No. RA 6120.2 relating to a cost evaluation period apply only to power facilities. This is indicated by the second sentence of paragraph 10(k) which specifically refers to power facilities. The subject of future irrigation investment is not covered and therefore a determination with respect to these future investments must be made on a project-by-project basis.

Federal Projects Use Repayment Basis to Set Revenue Levels

Further comments raised the issue of whether the Federal Energy Regulatory Commission restrictions on the inclusion of the costs of future facilities in ratesetting for private utilities would restrict FERC approval of the CRSP rates.

Generally, the FERC does not allow the inclusion of construction work in progress (future facilities) in setting current rates. As one of the commenters stated, "The basis of the Commission's decisions along these lines is that a utility's plant facilities should not be paid for by the utility's ratepayer through the utility's rates until such facilities become 'used and useful' to the ratepayer." The CRSP is not an electric utility as defined in the Federal Power Act, but rather is a reclamation water project to which hydroelectric generation has been added to assist in paying for certain of the water features. Irrigation projects and salinity control are not "used and useful" to power customers per se. It is essential that costs of such features to be paid by power should be spread as evenly as possible over all power users for the entire life of the project, while at the same time being sure that all investments are repaid by the end of their respective repayment periods.

Further, Federal power rates are required by law to be established on a repayment basis. The repayment studies that set revenue level requirements show that annual operating costs will be recovered in the year in which they are incurred and that all investments will be amortized within a reasonable period of years, which has been determined to be 50 years in most cases. This analysis includes future revenues and costs—in this case to the year 2052—as well as historical revenues and costs. The methodology differs substantially from the ratesetting approach based on cost-of-service studies incorporating depreciation as used in the private utility sector.

Benefits Versus Costs

Some customers questioned whether the benefits of unbuilt projects would exceed the costs and/or outweigh the environmental consequences.

At one time, all authorized unbuilt projects had benefit-cost analyses indicating that the benefits exceeded the costs. Shortly before construction begins, new benefit-cost analyses and environmental impact statements will be made, based on the final plan adopted. It is not possible at this time to accurately predict what the final results will be.

Apportionment of Revenues

In the repayment studies, revenues in the Upper Colorado River Basin (Basin) fund for irrigation assistance to authorized participating projects are apportioned to the States by the percentages specified in section 5(e) of P.L. 84–485. This results in a credit to some States in excess of that required for currently authorized participating projects.

Power customers refer to this excess as "surplus surplus" and, to prevent it, advocate application of the revenues to repayment of each participating project feature as the feature repayment comes due. The power customers and Western made repayment studies based on the originally proposed rate adjustment, which show that the method advocated by the customers would have reduced the 38-percent rate adjustment to about 19.8 percent. Western made a similar study using the 25.8-percent increase as a base, and it showed that the method advocated by the customers would reduce the rate adjustment from 25.8 percent to about 15.1 percent.

It is clear that this "surplus surplus" will accrue in the future because P.L. 84–485 requires that certain revenues in the Basin fund are to be apportioned among the States for repayment of the participating projects.

The law prohibits the use of revenues apportioned to any State from being used in any other State without the consent of the legally constituted authority of the State to which they are apportioned.

Western met with the governors of the four Upper Basin States to inform them of the need for the rate adjustment and the appropriate provisions of the law. Subsequently, on October 2, 1979, the governors of the affected States adopted the recommendation of the September 17, 1979, resolution passed by the Upper Colorado River Commission that they ". . . support the position that the proposed power rate adjustment for the marketing of Colorado River Storage Project power be established in accordance with the requirements of Public Law 84–485, as amended, to achieve the purposes of the Act. . . ." While the adoption of this resolution does not rule out the possibility of a State with surpluses allowing those surpluses to be used in another State, it does preclude the use of such a possibility in the present rate adjustment.

Energy Losses

Several customers questioned using energy losses of 7 percent of the energy delivered at designated delivery points and suggested that it should be about 3 to 5 percent instead. CRSP's average percent loss of energy delivered to designated delivery points from 1972 through 1978 (excluding the drought year of 1977) is 7.38 percent; therefore, the 7 percent as used in the rate study seems reasonable.

Diversity Versus Capacity Losses

Some customers suggested that diversity may exceed capacity losses and that this should be analyzed. Western looked at the 1972–1978 period (excluding the 1977 drought year) and found that, in some of the years, the diversity exceeded losses and in other years, the diversity was less than losses. On the average for the 6-year period, the diversity exceeded the losses by 22 MW in the summer and 2 MW in the winter. With the exclusion of the summer of 1976 during which there was an extraordinarily high diversity (in addition to excluding the 1977 drought year), the diversity varied between 35 MW higher and 30 MW lower than losses. On the average, the diversity exceeded the losses by 8 MW in the summer and 2 MW in the winter. In view of the foregoing, it appears that the assumption of diversity equaling capacity losses is reasonable.

Depletions

Some customers suggested that the water depletions used in the power repayment study are too high because they include depletions for future participating projects and also for unidentified developments.

The customers also commented that all possible M&I revenues from the sale of water (i.e., depletions for M&I use) are not included, and that, if included, the required power rate would decrease.

As stated elsewhere in this order, P.L. 84–485 requires that the study must include all authorized water developments which are components of the CRSP. The water depletion schedule has been developed by the Water and Power Resources Service, and incorportates the reasonable assumption that the pressures of a growing population will eventually result in water developments utilizing each State's entitlement of the flow of the Colorado River. These developments may not necessarily be Federal projects, but anticipated water demands indicate that the water will be used. The Water and Power Resources Service's schedule appears to be a reasonable basis to use

for the power repayment study, recognizing that any prediction about the future is speculative at best. In any event, subsequent power repayment studies will reflect updated depletion schedules based on the more current information.

Because of uncertainties about the outcome of the President's recommendation to deauthorize the Fruitland Mesa and Savery-Pot Hook Projects, depletions for those two projects were omitted from the FY 1977 hydrological study, which later was used as the basis for the CRSP power repayment study. These projects should not have been deleted because, as explained elsewhere in this order, they have neither been deauthorized nor declared to be indefinitely deferred. However, the depletions used in the hydrology study included unidentified depletions which, except for the one year 1990, exceeded the magnitude of the depletions for the Fruitland Mesa and Savery-Pot Hook Projects. Therefore, there would have been no change in the power rate even if depletions for the Fruitland Mesa and Savery-Pot Hook Projects has been identified in the study.

M&I revenues from storage units in excess of costs allocated to M&I are apportioned to the States for irrigation assistance. However, M&I water users of participating projects pay only their allocated costs and do not assist in the repayment of the irrigation allocation; therefore, future depletions caused by M&I water use will not result in extra revenue to reduce the power rate.

Replacements

The customers suggested that, since replacement factors used in the rate study were developed in 1969, replacement cost estimates should be reevaluated. It is true that the factors for replacements were developed in 1969. However, these factors were based on the historical service lives of the equipment; and while updated experience may modify some of the service lives, it is unlikely that there would be a significant change. Western and the Service are currently in the process of updating the replacement factors, and any revisions will be reflected, when available, in future power repayment studies.

Power Revenue Assistance to Irrigation Projects

Some customers questioned why CRSP power revenues are used to provide assistance for irrigation projects, whereas Parker-Davis and Boulder Canyon Project power revenues are not.

Pursuant to enabling legislation, CRSP power revenues must provide assistance for irrigation projects, whereas enabling legislation for Parker-Davis and Boulder Canyon Projects does not provide for such assistance. The power rates proposed for each project must be adequate to effect repayment as contemplated by its authorizing legislation. Such legislation does not always allow uniformity among the projects as to what costs must be paid from power revenues and in methods for determining power rates. While power revenues from the Parket-Davis Project are not used for irrigation assistance, they are used to repay investment in noninterest-bearing electrical facilities used to support irrigation on several projects, as well as to repay certain costs associated with the Mexican Water Treaty. Revenues from the Boulder Canyon Project are not used to repay costs of irrigation projects. Repayment on both projects is in accordance with authorizing legislation, and Western has made no changes in either study.

M&I Water Rates and Irrigators' Ability to Repay

Some customers suggested that M&I rates should be raised when power rates are increased and that the irrigators' calculated ability and obligation to repay should also be revised at the same time. The M&I rate for water from mainstem CRSP reservoirs was set by Service policy to recover construction costs allocated to M&I water plus contingencies and operation and maintenance (O&M). The rates are fixed for the term of the contracts. Upon the expiration of these contracts, the need for changing the rates will be explored. The M&I rates for water from participating projects are set to repay the costs allocated to M&I plus O&M. All contracts for irrigation water on participating projects require the water users to repay a fixed amount of investment plus operation, maintenance, and replacements (OM&R). The irrigators and participating projects's M&I water users automatically pay any increased costs of OM&R.

Reserves

One of the customers suggested that the amount assumed for reserves is too high. The reserve assumed for the repayment study was 10 percent of the load, a percent factor that has been used in previous repayment and other studies. The Western Systems Coordinating Council (WSCC) power supply design criteria recommend that reserve capacity should meet or exceed the sum of the capacity associated with the two largest risks or the largest risk plus 5 percent of load. A comparison between the reserves, as used in the CRSP rate study and the WSCC standard for the year 1990, is as follows:

Rate study reserves	144 MW
WSCC standard	216 MW

From this comparison, it appears that the reserves as used in the repayment study are not too high.

Extraordinary O&M Expenses

One customer suggested that the extraordinary O&M expenses for FY 1979 in the power repayment study should be amortized over a reasonable period of years rather than being completely paid for in the year in which they occur. The extraordinary O&M expenses of $800,000 are for spillway tunnel repairs at Flaming Gorge and for road construction at Glen Canyon.

Without any rate increase, revenues are available in 1979 to pay the extraordinary O&M expenses in that year. If the revenues are not applied to the extraordinary O&M expenses, they would be applied toward repayment of other investments bearing the same interest rate (2.875 percent) as would be applicable to the unpaid extraordinary O&M expenses. The $800,000 expense could be treated either way with no effect on the rate increase.

Present Status of CRSP Repayment

Some customers stated that the CRSP is $87 million ahead of its required repayment of Federal investment. However, the $87 million is the total amount through FY 1977 that has been applied to repayment of storage units' investment costs which are allocated to power. CRSP generally has 50 years in which to repay each investment, but cannot wait until the last year for each investment and then repay the whole thing. This would cause sudden and severe changes of rates. Instead, CRSP spreads the repayment over the 50 years (paying highest interest-bearing investments first to the extent possible) in such a way as to maintain as level (and low) rates as possible. Based on CRSP repayment criteria and the power reapayment study, repayment of Federal investment is behind instead of ahead of schedule.

Repayment of Salinity Control Construction Costs

Some customers recommended that, instead of assuming in the study that the interest-free salinity control construction costs would be repaid in 50 equal annual installments, the study should have been based on deferring such repayment until interest-bearing

costs are repaid. This would eliminate about $3 million in interest payments.

Pub. L. 93–320 provides that, among other things, the portion of the salinity control costs allocated to the Basin will be paid by CRSP power revenues, and furthermore that " * * * the Secretary is authorized to make upward adjustments in rates * * * as soon as practicable and to the extent necessary to cover the costs of construction, operation, maintenance, and replacement of units * * * Provided, That revenues derived form said rate adjustments shall be available solely for the construction, operation, maintenance, and replacement of salinity control units in the Colorado River Basin. * * * "

In early 1976, the then Bureau of Reclamation sought advice from the Regional Solicitor of the Department of the Interior on this matter. By a memorandum dated April 13, 1976, the Solicitor advised the Regional Director that in view of the provisions of Pub. L. 93–320 quoted above, the repayment of salinity control construction costs could not legally be delayed until after noninterest-bearing costs are repaid. Therefore, CRSP repayment studies made since 1976 have included repayment of salinity control construction costs in 50 equal annual installments.

Uprating the Generators at Glen Canyon Powerplant

Some customers suggested that the additional capacity at Glen Canyon Powerplant due to uprating the generators should have been included in the February 1980 repayment study and that, based on data from power repayment studies for the CRSP 23rd Annual Report (after FY 1979), the sale of such added capacity would have increased the revenues by more than twice those needed to counteract the increased costs of the three participating projects added in the February 1980 revised repayment study.

The power repayment studies for the proposed rate increase have for the most part been based upon conditions that existed as of the end of FY 1977, when the CRSP 21st Annual Report was prepared. At that time, maintenance funds were budgeted for future replacement of Glen Canyon generator stator windings and rotor pole piece collars becaue of normal wear and tear. However, the Service had not investigated the matter fully enough to determine whether or not the units could be uprated. Commenters pointed out that the 21st Annual Report contains this statement: "an award was made April 14, 1977, for stator windings on two existing generators at the Glen Canyon Powerplant. Work was initiated on September 28, 1977, on Unit 7. The new windings will increase the generator capacity of each unit by 25 megawatts." Western has been unable to locate either the source or the basis for the stated 25 megawatt increase for each unit. The power repayment study included in the 21st Annual Report does not include the claimed additional capacity.

When the studies for the CRSP 23rd Annual Report were made, the Service had made further investigations and operational tests, and felt that with some additional modifications it was reasonable to assume the uprating could be realized. Therefore, the repayment study for the 23rd Annual Report included increased sales due to uprating. It should be noted that, taking the planned uprating into account as well as other changes between 1977 and 1979, the 23rd Annual Report shows the need for a rate increase greater than the 20.5 percent promulgatged by this order.

Revenues from Capacity Above Lower Quartile

Revenue form future capacity sales used in the power repayment study is based on capacity available under lower quartile water conditions. It was suggested that capacity during years when water conditions exceed the lower quartile could be sold and that the effect of this should be included in the rate determination.

Power repayment studies prior to the FY 1976 studies included capacity revenues only from the long-term dependable capacity (capacity available during the most adverse water year). However, in recognition of the fact that capacity above that available under adverse water conditions is almost always available, and is usually sold, the present study is based on sales of capacity under lower quartile water conditions. Consideration was given to using capcity available under average water conditions based on the theory that half the time there would be more capacity available, and half the time there would be less capacity available, and that all the capacity available would be sold. A comparison of the historical capacity offered for sale with the amount sold indicates that there has generally been a market for the excess capacity. However, in order to achieve capacity revenues which over the long-term average the same as capacity sales under average water conditions, all the capacity available would have to be sold every month. To assume that this could be done would be imprudent—there are too many possible conditions which might prevent this from happening, such as the inability to locate a purchaser because of market conditions, or because of the inability of the power system to produce and deliver power due to maintenance of powerplants and/or transmission facilities. The use of lower quartile capacity is therefore both reasonable and prudent.

Historically, all revenues from capacity sales are included in the study.

Amortization of Parker-Davis Project Facilities

Some customers suggested that the construction costs of the portion of the Parker-Davis Project facilities paid for by CRSP revenues be repaid in the same manner as the construction costs of CRSP facilities, instead of the CRSP paying Parker-Davis Project a uniform annual amortization amount.

By Contract No. 14–06–304–1548 between the then Regions 3 and 4 of the Bureau of Reclamation (now Water and Power Resources Service), agreement was made that the CRSP would pay the Parker-Davis Project for construction repayments in equal annual amortization amounts based on 3-percent interest and a 30-year repayment period. The contract has been transferred to Western, and the contract provisions are used to develop the payment used in the CRSP repayment study. Since the 3-percent interest is higher than the interest rates of CRSP facilities, except central Utah, application of the general rules for CRSP repayment; i.e., repay highest interest-bearing costs first, would probably show a small reduction in the magnitude of the CRSP power rate increase needed. However, the change would be very minor, since the total construction cost involved is less the $3 million and the 3-percent interest rate is only slightly higher than the 2⅞-percent interest rate of the major portion of CRSP investments.

Increase in Investment Versus Increase in Required Irrigation Assistance

One group of customers pointed out that, in the February 1980 power repayment study, the investment costs of the Animas-La Plata, San Miguel, and West Divide participating projects increased by only 61 percent, whereas the required irrigation assistance to the aforementioned projects from power and M&I revenues increased by 80 percent. The customers claimed that the disproportionate increae of irrigation assistance as compared to investment is improper.

The reason why the required irrigation assistance increased by a greater percentage than did the investment

costs is that the revised costs shown in the repayment study are based partly on cost indexing and partly on revised plan formulations for the participating projects. The irrigators' ability to repay did not increase in proportion to the cost increases. Thus, these changes result in the irrigation assistance being increased accordingly.

Rate Design Issues

Description of the Design of the Rates

Much of the CRSP cost paid by power revenues, such as aid to irrigation, is not normally considered to be a cost of service in the usual sense. The CRSP power is sold at the rate required to pay operating costs and to recover the costs specified in Pub. L. 84–485 and in Pub. L. 93–320. The rate schedule also has a provision that unauthorized overruns shall be billed at 10 times the base rate. Although this provision is intended as an incentive for the customer to find supplemental power suppliers, it may encourage energy conservation to some minor extent.

The CRSP firm-power rate includes a capacity component and an energy componet. A cost classification analysis was made by assigning various costs to the two components. The main costs assigned to the capacity component include: power capital and replacement investments, interest on power investments, irrigation investments of the storage units to be repaid by power revenues, and one-half the irrigation aid to participating projects. The major costs assigned to the energy component include: O&M, firming-energy purchases, power wheeling, salinity construction costs, and one-half the irrigation aid to participating projects. Results of the cost classification analysis indicated that revenues from the sale of capacity and energy should be given approximately equal weight.

A low demand rate would probably benefit those customers who purchase CRSP peaking capacity, but could be detrimental to project irrigation pumpers. In consideration of the cost classification and in order to minimize discrimination among types of power users, it is felt that the new power rate should be based on equal revenues from capacity and energy sales at 58.2-percent load factor. The first rate established in 1962 also was on this basis. The energy component has been rounded off to the nearest 0.1 mill/kWh and the capacity component to the nearest 0.5 cent/kW-month, resulting in a revised proposed CRSP rate of 4.0 mills/kWh and $1.655/kW-month. Because of rounding in this fashion, the revised repayment study of November 1980 indicated a small surplus (approximately $4.0 million) in power revenues above the requirements of the law by the critical year 2046.

Adjustment Provision For Purchased Energy Costs

During the April 1979 public information forums Western announced that it was considering the possibility of including, in the new rate schedules, provision to pass through purchased power costs. Such a provision was under consideration because during periods of adverse hydro conditions large purchases are required, and funds for such purchases can be quickly depleted without some means of quick (i.e., monthly) recovery. However, such a provision has not been included for the following reasons:

1. Purchases are often made in the autumn and winter as a hedge against the possibility of poor water conditions in the following spring and summer. It is often late summer before the extent to which such purchases were necessary for firming is known. Purchases may turn out to have been in excess of firming requirements and, to that extent, are available for other uses, such as oil conservation sales. For this reason the purchased power costs cannot be passed on at the time they are made and at the time when the revenues are needed.

2. When firming purchases are necessary for the CRSP, they are also apt to be necessary for the Parker-Davis Project, which is downstream from the CRSP. This project purchases its firming requirements from the CRSP, further complicating the determination on a monthly basis of just how much of the power purchased by the CRSP is for firming the supply to and at the cost of its own firm-power customers.

3. The power repayment studies on which the rate increase is based have been prepared using average hydro conditions for energy production, and assume that revenues from the sales of surplus energy in better-than-average water years will offset the cost of the purchase of firming energy during poorer-than-average water years. Implementation of a passthrough provision for purchased power costs would upset this balance.

Alternative Power Rates and Conservation

Some customers stated that the repayment study implies that the rate is being increased because of conservation desires or to bring it closer to alternative rates. As stated in the rate brochures, in presentations at forums, and in all written and verbal answers to questions, the level of the rate increase determination is based on payment of costs and investments and was not influenced by alternative power rates or conservation desires. Rather, any comparison with other power rates in the general area is to demonstrate that the proposed cost-based rates are not in excess of market value. Were project costs such that required rates would be in excess of market value, the rates would be based on the market value and the project would operate at a loss until such time as market value increased sufficiently to allow the rates to be increased to recover costs, including repayment of the deficit with interest.

Charges for Wheeling Over Parker-Davis Project System

Some customers who receive CRSP power over the Parker-Davis Project system contend that the CRSP power rate should include the cost of wheeling over that system so that they would not have to pay for such wheeling (except as a component of the CRSP rate for power). The present CRSP marketing criteria, which were adopted and published in the **Federal Register** on February 9, 1978, after consultation with the customers, include a provision that any wheeling charges over other project systems such as the Parker-Davis Project system are to be paid by the customers receiving the power. The current Parker-Davis Project rate increase proposal includes provisions for such a rate, and, under the criteria, the customers receiving the power over that system must pay the costs.

Phased or Stepped Rate Increases

Some customers recommended that the proposed rate increase, if adopted, be phased or stepped over a period of years. To try to avoid confusion on this issue, Western has distinguished between phased increases and stepped increases. Western considers a phased increase to be one in which the rate is increased at regular intervals, unrelated to costs, until the final rate is in place. This was done for the Rio Grande Project because of the magnitude of the increase (from 8.15 mills per kilowatthour to over 16 mills per kilowatthour). The magnitude of this CRSP rate increase is much less and use of a phased increase is not warranted.

Western considers a stepped increase to be one in which the rate is increased based on and at the time of anticipated significant future additions to the system. The arguments for and against stepped increases are the same as those which are discussed in the second paragraph under the heading "Federal Projects Use Repayment Basis to Set

Revenue Levels" earlier in this order. The anticipated significant future additions for the CRSP are not power features, but rather are irrigation features, and, as discussed in the paragraph already cited, it is essential to spread the costs of such features among as many power customers over as long a period as possible.

Applicability of the Public Utility Regulatory Policies Act of 1978 (PURPA)

The standards set forth in the PURPA, 16 U.S.C. 2601 *et seq.* are not applicable to sales that are for resale, and are not currently applicable to CRSP sales that are not for resale because CRSP has not had such sales in excess of 500 million kWh in any year. Nonetheless, each of the 11 standards was considered and briefly discussed in the April 1979 brochure entitled "Colorado River Storage Project and Participating Projects—Proposed Power Rate Adjustment" and interested parties were given opportunity to comment on the discussion in writing and/or orally at the forums which were held. Although not subject to the PURPA standards, CRSP is complying with those standards to the extent that it can reasonably do so as discussed in the referenced brochure.

Other Considerations

Public Comment Procedures

A number of comments reflected concern that the procedures followed by Western in promulgating the proposed rate increase did not conform to basic due-process-of-law requirements. The lack of opportunity for cross examination of witnesses and the absence of other formalities of evidentiary hearings were among the alleged deficiencies cited.

We are satisfied that the opportunities provided by Western for public information and comment were more than adequate. The reasons for the rate increase and the methodology used in developing it were fully explained. Requested information was supplied. The parties were afforded access to Western's computer program. All questions were answered. Because of the two occasions upon which changes were made, the comment period lasted more than 11 months. Formal evidentiary procedures are not required in the development and review of Federal power rates.

National Environmental Policy Act (NEPA)

A number of comments raised the issue of whether the rate adjustment is subject to provisions of the NEPA. Procedures for compliance with NEPA are applicable to CRSP ratemaking. A preliminary environmental evaluation was made for and reported in the April 1979 proposed power rate adjustment brochure. Subsequently, an environmental assessment has been made in accordance with NEPA. The environmental assessment indicates there are no significant environmental impacts expected as a result of the proposed rate adjustment.

Leavitt Act

Commenters also questioned whether the Leavitt Act, which is cited in Section 4 of Pub. L. 84–485, authorized reduced rates for Indians. Section 4 of Pub. L. 84–485 provides, in relevant part, that: "(d) as to Indian lands within, under or served by any participating project, payment of construction costs within the capability of the land to repay shall be subject to the Act of July 1, 1932 [Leavitt Act] (47 Stat. 564)."

The first provision of the Leavitt Act authorizes and directs the Secretary of the Interior ". . . to adjust or eliminate reimbursable charges of the Government of the United States existing as debts against individual Indians or tribes of Indians in such a way as shall be equitable and just in consideration of all the circumstances under which such charges were made . . ." (Act of July 1, 1932, 47 Stat. 564, 25 U.S.C. 386a). This portion of the Leavitt Act authorized the Secretary of the Interior to grant relief on a project-by-project basis from then existing obligations under the Indian Appropriations Act for Fiscal Year 1915 (Act of August 1, 1914, 38 Stat. 582, 583) to reimburse the Government for expenditures made for Indian irrigation projects. First, neither it nor the first proviso, which defers construction costs assessed ". . . against Indian-owned lands within any Government irrigation project . . .", applied to Reclamation projects. Solicitor Finney Opinion, 54 I.D. 90 (1932). Second, both portions of the act, which derived from separate bills, provide relief only from irrigation costs and do not apply to power costs. Section 4 of Pub. L. 84–485 specifically makes the Leavitt Act applicable to participating projects, which are Reclamation projects. However, Pub. L. 84–485 does not extend the relief provided by the Leavitt Act. Consequently, since the Leavitt Act provides relief only from irrigation costs and not from power costs, neither Section 4 of Pub. L. 84–485 nor the Leavitt Act authorize reduced power rates for Indians.

Price Stability

There was a question whether any rate increases which Western might promulgate would be limited by the Council on Wage and Price Stability. On March 19, 1979, the Director of the Council on Wage and Price Stability stated in the peamble to the Interim Final Price Standard that ". . . while the price standard is intended to apply to all 'Government enterprises,' any statute mandating a particular pricing policy will, of course, take precedence." 44 FR 17910, 17911 (March 23, 1979). This interpretation of the price standards was verified in a letter to the Secretary of Energy from R. Robert Russell, the Acting Director for the Council on Wage and Price Stability. In that letter, dated August 28, 1979, the Council confirmed the Department of Energy's belief that "statutory requirements take precedence over the voluntary price standard" where power marketing administrations are involved.

Some concern remained within the Department of Energy over whether the price standard applied to the portion of the CRSP rate increase attributable to assistance for future participating CRSP projects which had not yet been funded. Differing opinions were offered on the matter as administrative interaction took place. In reaching the decision that the price standards were not applicable to any portion of the CRSP rate, the Western Area Power Administration concluded that there is no discretion to set a rate lower than that which would accumulate revenues for irrigation assistance in accordance with the apportionment formula of 43 U.S.C. 620 (e). The CRSP Act gives the Secretary discretion in the carrying out of the will of the Congress, but not to the point where repayment obligations become impaired. Revenues sufficient to assist future participating projects must be accumulated in the same manner as the Secretary of the Interior has done since the passage of the legislation in 1956. This approach is consistent with the CRSP Act, the legislative history, long/standing administrative interpretation and the ratification of that interpretation through the informed actions of Congress since 1956.

Availability of Information

Information regarding this rate adjustment, including studies, comments, transcripts, and other supporting material, is availalbe for public review in the Salt Lake City Area Office, Western Area Power Administration, 438 East 200 South, Suite 2, Salt Lake City, Utah 84147; in the office of the Administrator, Western

Area Power Administration, 1536 Cole Boulevard, Golden, Colorado 80401; and in the office of the Director of Power Marketing Coordination, 12th and Pennsylvania Avenue, NW., Washington, D.C. 20461.

Submission to the FERC

The rates herein confirmed, approved, and placed in effect on an interim basis, together with supporting documents, will be submitted to the FERC for confirmation and approval on a final basis.

Order

In view of the foregoing and pursuant to the authority delegated to me by the Secretary of Energy, I hereby confirm and approve on an interim basis, effective Jaunary 23, 1981, Rate Schedules SP–F1 and SP–FP1. These rates shall remain in effect on an intermin basis for a period of 12 months unless such period is extended or until the FERC confirms and approves these or substitute rates on a final basis, whichever occurs first.

Issued in Washington, DC, December 23, 1980.

Ruth M. Davis,

Assistant Secretary, Resource Applications.

UNITED STATES DEPARTMENT OF ENERGY, WESTERN AREA POWER ADMINISTRATION

Colorado River Storage Project; Schedule of Rates for Wholesale Firm Power Service

[Rate Schedule SP–F1 (Supersedes Schedule UC–F2)]

Effective: The first day of the first full billing period beginning on or after January 23, 1981.

Available: In the area served by the Colorado River Storage Project.

Applicable: To wholesale power customers for general power service supplied through one meter at one point of delivery.

Character and Conditions of Service: Alternating current, 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Monthly Rate:

Capacity Charge: $1.655/kW of billing demand.

Energy Charge: 4.0 mills/kWh for all energy use up to, but not in excess of, the energy obligation under the power sales contract.

Billing Demand: The billing demand will be the greater of (1) the highest 30-minute integrated demand established during the month up to, but not in excess of, the delivery obligation under the power sales contract, or (2) the contract rate of delivery.

Billing for Unauthorized Overruns: For each billing period in which there is a contract violation involving an unauthorized overrun of the contractual firm power and/or energy obligations, such overrun shall be billed at ten (10) times the above rate.

Adjustments:

For transformer losses: If delivery is made at transmission voltage but metered on the low-voltage side of the substation, the meter readings will be increased to compensate for transformer losses as provided for in the contract.

For power factor: None. The customer will normally be required to maintain a power factor at the point of delivery of between 95-percent lagging and 95-percent leading.

United States Department of Energy, Western Area Power Administration

Colorado River Storage Project; Schedule of Rates for Wholesale Peaking Power Service

Rate Schedule SP–FP1 [Supersedes Schedule UC–FP2]

Effective: The first full day of the first full billing period beginning on or after January 23, 1981.

Available: Within and adjacent to the marketing area of the Colorado River Storage Project.

Applicable: To wholesale power customers purchasing such service under long-term contracts. Because of the nature of this class of service, it is applicable only to customers with other resources enabling them to utilize it.

Character and Conditions of Service: As specifically established by contract. Delivery will be made from the transmission system of the United States at transmission voltage, and normally only during peak hours of the purchaser's load. Return of all energy furnished shall normally be required.

Montly Rate: Capacity Charge: $1.655/kW of the effective contract rate of delivery for peaking power or the maximum amount scheduled, whichever is the greater.

Energy Charge: 4.0 mills/kW for all energy scheduled for delivery without return.

Billing for Unauthorized Overruns: For each billing period in which there is a contract violation involving an unauthorized overrun of the contractual obligation for peaking capacity and/or energy, such overrun shall be billed at ten (10) times the above rate.

Adjustments:

For power factor: None. The customer will normally be required to maintain a power factor at the point of delivery of between 95-percent lagging and 95-percent leading.

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